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SUBJECT: ENI EXPLORING GAS PROJECT TO BRING TURKMENISTAN
GAS TO BULGARIA

Classified By: Classified By: ECMIN George White
for reasons 1.4 (b) and (d)

¶1. (C) Summary: Eni's CEO Scaroni told Post that his company is exploring a gas-swap deal with Turkmenistan and Turkey to bring 5 billion cubic meters of gas per year to Bulgaria and perhaps other parts of Eastern Europe. This project may be an attempt by Eni to portray itself as supporting EU energy diversification; given Eni's poor record on this issue, this project should be viewed with skepticism. End Summary.

¶2. (C) On November 10 Eni,s CEO Scaroni informed Post that it is discussing with Turkmenistan and Turkey a gas-swap project to bring about 5 billion cubic meters of gas per year to Bulgaria, and perhaps other Eastern European markets. Scaroni explained that Eni is proposing to liquefy Turkmenistan gas at the Caspian Sea port of Turkmenbasy, ship it and re-gasify it in Baku, Azerbaijan, then send it through the existing Baku-Georgia-Turkey gas pipeline to sell to Turkey,s BOTAS energy company. BOTAS in turn would re-sell the same amount of gas to Eni in Bulgaria. Scaroni estimated that this project would not require a big investment as it would only need a few gas compression stations and largely use existing gas pipeline infrastructure. Although Scaroni did not mention it, presumably Eni would have to build a plant in Turkmenbasy to liquefy the gas and a re-gasification plant in Baku (Scaroni only mentioned the use of "CNG" technology to liquefy the gas). Scaroni said that this project would indirectly open the way for Turkmenistan gas to reach Europe.

¶3. (C) Scaroni said he already discussed this project with Turkmenistan,s president Berdimuhamedov during the latter's November 11 official state visit to Rome, and that in a separate meeting Turkmenistan,s Energy Minister expressed enthusiasm. Scaroni said that Eni will follow-up with BOTAS to better ascertain its interest in this project. He added that if both companies agree to work on such a gas swap deal then some type of project development agreement could be signed during Turkey,s Prime Minister Erdogan's Rome visit on December 16 (Note: This visit has been postponed due to PM Berlusconi's two-week hospital recovery from wounds received at the December 13 Milan attack incident).

¶4. (C) Although Eni,s proposed gas-swap project does not involve Russian companies, Scaroni stated that he would seek Russia's acquiescence, discussing the project soon with Russian Deputy Prime Minister Sechin. Scaroni speculated that the Russians will not object to it because the proposed small gas volume would not threaten Russia's energy interests in that area. He added that Turkey,s participation would also keep Russia from opposing the project as Russia sees

Turkey,s cooperation on South Stream as too important to risk.

15. (C) Comment: This project may be Eni's attempt to present itself as being concerned about EU energy diversification; Eni realizes that some critics see the company as an Italian tool of Gazprom. Scaroni knows that Washington is not pleased with Eni's support of Gazprom projects, and he also knows that Eni is under scrutiny in Washington because of its Iran activities. Scaroni may be seeking to soften our views of the company: He told Post of this Eni gas-swap project during a meeting with the Ambassador that was focused on our ongoing Iran Sanctions Act review. We think Scaroni's supposed desire to bring Turkmenistan gas to the West should be viewed with skepticism; Eni is Gazprom's most important Western European partner. Also Scaroni is talking about very small amounts of gas. And, finally, it should be remembered that Eni facilitated the Russian project (Blue Stream) that had the effect of scuttling a mid-1990s effort to build a Trans-Caspian pipeline, a project that truly would have improved EU energy security. End Comment.

THORNE